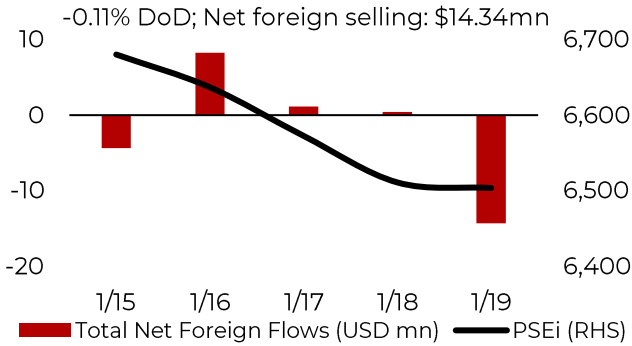


The Morning View

JANUARY 22, 2024

Philippine Stock Exchange Index



	Level	DoD
PSEi	6,503.54	-0.11%
3-mo bond yield	5.36%	+3.76 bps
2-yr bond yield	5.89%	+0.05 bps
10-yr bond yield	6.22%	+0.94 bps
USDPHP	55.97	+0.23%
Oil (Brent, \$ / barrel)	78.56	-0.68%

Bangko Sentral ng Pilipinas (BSP) Governor Remolona said a rate cut in 1H24 is "possible but not likely" and noted that the BSP remains wary of risks that may cause inflation to reaccelerate. He added that El Niño and second-round effects from supply shocks may affect the BSP's inflation outlook.

Manila Electric Co. (Ticker: MER) is projecting its energy sales volume to grow by 4.5% in 2024. Management expects the sales volume from the residential segment to rise amid higher demand due to El Niño. Moreover, a rebound in the industrial segment and a sustained growth in the commercial segment are anticipated.

Local equities slid for the fourth straight session after hawkish remarks from San Francisco Fed President Daly pushed back early rate cut expectations from the Fed. The PSEi closed at 6,503.54 (-0.11% DoD)

Local fixed income yields rose as investors digested the hawkish comment of San Francisco Fed President Daly, tempering bets of early policy rate cuts from the US Federal Reserve. On average, yields rose by 2.35 bps, with the 2Y closing at 5.89% (+0.05 bps) and the 10Y closing at 6.22% (+0.94 bps).

The **Philippine peso** weakened after hawkish comments from US Federal Reserve officials pushed back early rate cut expectations in the US. The USD/PHP pair closed at 55.97 (+0.23% DoD).

San Francisco Fed President Daly believes that the US economy and monetary policy are in a 'good place' and the risks have grown more 'balanced'. However, Daly added that it would still be premature to consider rate cuts until data confirms a sustained downtrend in inflation.

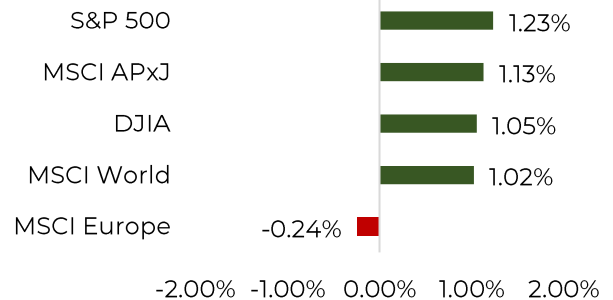
The University of Michigan's US Consumer Sentiment Index rebounded to 78.8 in January (December: 69.7), marking the highest level since July 2021. This was driven by growing optimism over the improving inflation outlook. The survey showed that one-year inflation expectations fell to 2.9% this month (from 3.1%).

US equities rallied to record highs as chipmaker companies gained amid optimism on AI technology. This was also supported by market bets of rate cuts later this year. The S&P 500 closed at 4,839.81 (+1.23% DoD) and the DJIA closed at 37,863.8 (+1.05% DoD).

US Treasury yields were mixed but marginally declined on bargain hunting following previous session where yields rose on stronger-than-expected retail sales data. On average, yields fell by 0.35 bps, with the 2Y closing at 4.39% (+3.20 bps) and the 10Y closing at 4.13% (-1.80 bps).

The **US dollar** slightly weakened as investors weighed mixed economic data releases and remarks from some US Fed officials. The DXY closed at 103.29 (-0.24% DoD).

Global Stock Indices



	Level	DoD
S&P 500	4,839.81	+1.23%
DJIA	37,863.80	+1.05%
3-mo US Treasury yield	5.37%	-0.50 bps
2-yr US Treasury yield	4.39%	+3.20 bps
10-yr US Treasury yield	4.13%	-1.80 bps
DXY	103.29	-0.24%

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