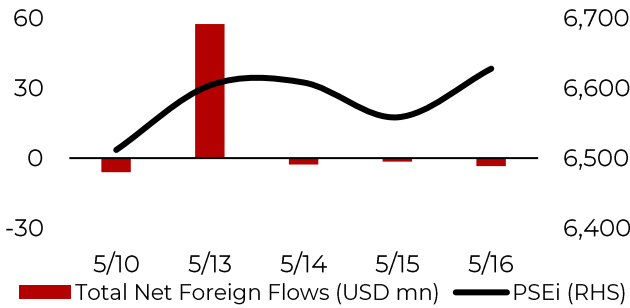


The Morning View

May 17, 2024

Philippine Stock Exchange Index

+1.06% DoD; Net foreign selling: \$3.42mn



	Level	DoD
PSEi	6,628.20	+1.06%
3-mo bond yield	5.83%	+1.53 bps
2-yr bond yield	6.40%	-3.54 bps
10-yr bond yield	6.67%	-14.33 bps
USDPHP	57.47	-0.07%
Oil (Brent, \$ / barrel)	83.27	+0.63%

The Bangko Sentral ng Pilipinas (BSP) maintained its policy rate at 6.5% during its latest Monetary Board meeting. BSP Governor Remolona said that the central bank is now less hawkish and see possible rate cuts in 3Q or 4Q given the lower-than-expected inflation figure in the previous month. He also shared that the BSP may possibly cut rates as early as August.

Alliance Global Group Inc. (PSEi Ticker: AGI) plans to invest Php2.61 billion in its real estate arm, Megaworld Corporation (PSEi Ticker: MEG), in exchange for 1.38 billion common shares of MEG. The subscription aims to support Megaworld's growth and future business expansions.

Local equities rose amid increased Fed rate cut bets after the US consumer price index (CPI) inflation eased to 3.4% YoY in April. This was also ahead of the BSP's policy meeting after market's close. The PSEi closed at 6,628.20 (+1.06% DoD).

Local fixed income yields fell after the deceleration in US CPI inflation in April bolstered expectations of a US Fed rate cut. On average, yields fell by 6.07 bps, with the 2Y closing at 6.40% (-3.54 bps) and the 10Y closing at 6.67% (-14.33 bps).

The **Philippine peso** strengthened as investors weighed the easing US inflation data which buoyed hopes for Fed rate cuts later this year. The USD/PHP pair closed at 57.47 (-0.07% DoD).

Federal Reserve Bank of Richmond President Thomas Barkin said that the Fed may need to keep interest rates elevated for longer. Citing the sticky services inflation in the US, he noted that demand will need to slow down and that the Fed needs a "little bit more time" to temper inflation back to its 2% target.

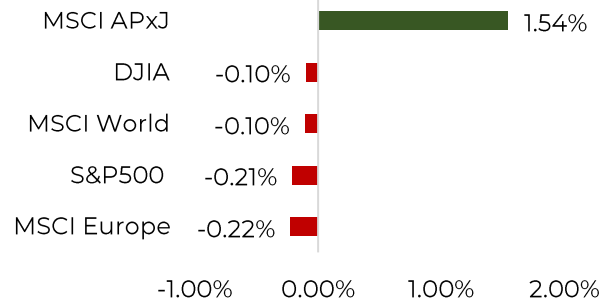
US manufacturing production dropped by 0.3% MoM in April (March: revised +0.2%), missing the consensus expectation of a 0.1% rise. The contraction was primarily due to lower output of motor vehicles and parts, electrical equipment, and appliances.

US equities slightly declined after reaching intra-day record-highs as investors continued to recalibrate their rate cut expectations amid various Fed officials' speeches. The S&P 500 closed at 5,297.10 (-0.21% DoD) and the DJIA closed at 39,869.38 (-0.10% DoD).

US Treasury yields rose following hawkish remarks from several Fed officials including Richmond Fed President Barkin who said that interest rates may remain elevated for longer. On average, yields rose by 2.80 bps, with the 2Y closing at 4.80% (+7.10 bps) and the 10Y closing at 4.38% (+3.50 bps).

The **US dollar** strengthened as US import prices rose 0.9% in April, stoking fears of higher goods price inflation. The hawkish tone from Fed officials also helped strengthen the dollar. The DXY closed at 104.46 (+0.11% DoD).

Global Stock Indices



	Level	DoD
S&P 500	5,297.10	-0.21%
DJIA	39,869.38	-0.10%
3-mo US Treasury yield	5.41%	-0.60 bps
2-yr US Treasury yield	4.80%	+7.10 bps
10-yr US Treasury yield	4.38%	+3.50 bps
DXY	104.46	+0.11%

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