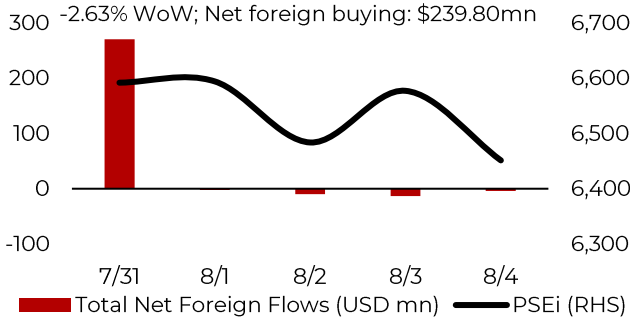


The Weekly Review

AUGUST 7, 2023

Philippine Stock Exchange Index



	Level	WoW
PSEi	6,450.84	-2.63%
3-mo bond yield	5.70%	+0.18 bps
2-yr bond yield	6.25%	+4.46 bps
10-yr bond yield	6.56%	+20.71 bps
USDPHP	55.74	+1.51%
Oil (Brent, \$ / barrel)	86.24	+1.47%

The **Philippine Statistics Authority (PSA)** reported that July inflation decelerated by 0.7% to 4.7%. Core inflation likewise cooled to 6.7% in July from 7.4%. Lower food and energy costs were the main drivers of the lower inflation print.

Local equities declined as cooler-than-expected July local inflation data failed to lift market sentiment after weak China PMI data, Fitch's cut in US' credit rating, and rising US Treasury yields which sparked economic outlook concerns overseas. The PSEi closed at 6,450.84 (-2.63% WoW).

Top performers were Ayala Land Inc (PSE Ticker: ALI; +3.27%), ACEN Corp (ACEN; +3.19%), and Jollibee Foods Corp (JFC; +3.17%). Meanwhile, Converge Information and Communications Technology Solutions Inc (PSE Ticker: CNVRG; -10.71%), San Miguel Corp (SMC; -11.01%), and JG Summit Holdings Inc (JGS; -12.06%) were the laggards of the week.

Local fixed income yields rose following the news of US' credit rating downgrade and the BSP's hawkish remarks on the inflation outlook. On average, yields rose by 5.65 bps, with the 2Y closing at 6.25% (+4.46 bps) and the 10Y closing at 6.56% (+20.71 bps).

The **Philippine peso** weakened amid risk-off sentiment following the US' credit rating downgrade, elevated oil prices, and release of US labor data. The USD/PHP pair closed at 55.74 (+1.51% WoW).

The US Core PCE inflation climbed 4.1% YoY (0.2% MoM) in June, while Headline increased 3.0% YoY (0.2% MoM) amid rising goods prices and declining services costs. Meanwhile, Employment Cost Index rose 1.0% QoQ in the second quarter, slowest in two years.

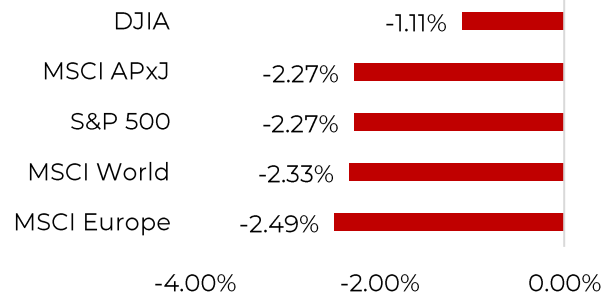
Fitch downgraded US credit rating from AAA (top tier) to AA+ as deteriorating governance standards and growing general debt burden weakened its confidence to fiscal management. Fitch also factored in its decision the possibility of a mild recession in 4Q23 or 1Q24.

US equities fell as investors weighed Fitch's US credit downgrade, mixed corporate earnings, rising Treasury yields, and strong labor market data. The S&P 500 closed at 4,478.03 (-2.27% WoW) and the DJIA closed at 35,065.62 (-1.11% WoW).

US treasury yields were mixed as investors assessed the outlook for interest rates after fresh releases of reports, including the cooling inflation print and labor market data, and the downgrade of US credit rating by Fitch. On average, yields gained 2.43 bps WoW with the 10Y closing at 4.04% (+8.50 bps).

The **US Dollar** strengthened as investors digested weaker but still tight labor market data while inflation continues to be above Fed's 2% target. The DXY closed at 102.02 (+0.39% WoW).

Global Stock Indices



	Level	WoW
S&P 500	4,478.03	-2.27%
DJIA	35,065.62	-1.11%
3-mo US Treasury yield	5.41%	-2.80 bps
2-yr US Treasury yield	4.77%	-11.30 bps
10-yr US Treasury yield	4.04%	+8.50 bps
DXY	102.02	+0.39%

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