

Weekly Market Snapshot

October 10, 2022

Index/ Bond	Index Level/Yield	WoW Change	WoW % Change
PSEi	5,932.19	191.12	3.33%
Dow Jones	29,296.79	571.28	1.99%
S&P500	3,639.66	54.04	1.51%
MSCI Asia ex-Japan	568.89	10.94	1.96%
MSCI Europe	131.80	1.36	1.04%
MSCI Emerging Market	897.74	21.95	2.51%
MSCI World Index	2,417.72	39.07	1.64%
S&P GSCI Commodity	3,720.67	341.08	10.09%
S&P Global REITs	551.81	-12.11	-2.15%
5Yr FXTN	6.35	4 bps	
10Yr US Treasury	3.88	5 bps	

Source: Bloomberg

Philippine Equities

- The Philippine Stock Exchange Index (PSEi) closed up 3.3% WoW at 5,932.19. The index started strong on the back of a rebound move from the US markets ending its 13 consecutive days of losses. This was then followed by a gap-up that brought the benchmark back to the 5,900 level, while stiff resistance was seen in the 6,000 area for the mid-week. To top it off, willing buyers appeared in the 5,800 level which brought the price to conclude the sessions in the positive territory.
- The focus for the week was the CPI data released on Wednesday, which showed that inflation levels elevated to 6.9%. Despite the inflation data being elevated, its result was still in line with consensus. Volumes were light for the entirety of the sessions as they only averaged Php4bn, reflecting that risk-off sentiment was still in play. While foreign selling for the week halted as foreigners were in a net buy position for the majority of the week.
- The index gainers for the week were International Container Terminals Services, Inc. (ICT +13.41% WoW), The Manila Electric Company (MER +12.32% WoW), and Globe Telecom, Inc. (GLO +6.40% WoW). The laggards were Wilcon Depot (WLCON -11.42% WoW), Puregold Price Club, Inc (PGOLD -4.42% WoW), and GT Capital Holdings, Inc. (GTCAP -3.75% WoW).

For the week ahead, we might see the index move in cadence with global risk assets. Volatility might be seen after a strong jobs data on Friday meant that the Fed is unlikely to pivot sooner with its rate hikes. Eyes are also on the US CPI data that would be released this Oct 13.

Philippine Fixed Income

- The local bond market remained lethargic last week as participants await further guidance from the BSP on the direction of rates. Domestic inflation printed at a high of 6.9% from rising food and fuel costs. Yields ended the week 5 to 25 basis points higher.
- October 3 & 4 Auction Results for Treasury Bills/Bonds.

Tenor	91 Days	182 Days	364 Days	FXTN 7-61
High	5.000	5.525	5.925	5.870
Low	3.450	4.100	4.150	5.375
Average	4.660	4.902	4.937	5.746
Bid to Cover	--	--	--	1.118
	Rejected	Rejected	Rejected	22.85B of 35B Awarded

- Term Deposit (TD) Facility auction: 10/05/22
 - Php 200 billion 7-Day TD Facility averaged 4.4343%, 0.8550x undersubscribed.
 - Php 140 billion 14-Day TD Facility averaged 4.4857%, 0.9725x undersubscribed.

We expect the BSP to maintain a hawkish bias for the rest of the year with negative pressure from inflation and foreign exchange. We have adjusted to an underweight position for our portfolios and await better levels for re-entry. We emphasize holding liquid securities to quickly shift our portfolio towards parts of the curve where we see value but remaining cognizant of market catalysts for rates direction in short to medium term.

Global Equities

- US equities are down 1.56% WoW (week on week) amidst recent economic data releases that have shown steady growth in private sector-payrolls, a decline in unemployment rate and the economy adding more jobs than expectations. These data have strengthened the case for a more hawkish US Fed.
- European equities are up 0.75% WoW in USD terms. THE EU markets closed the week with weekly gains for the first time in four weeks despite expectations of a more aggressive monetary tightening due to soaring inflation.
- Asia-Pacific equities are up 2.76% WoW due to rising momentum against last week with sentiment being lifted by the hopes that global central banks could moderate their interest rate hikes.

For the past week, we increased our position in local and global equities, while we increased our position in iShares U.S. Oil & Gas Exploration & Production ETF. We remain defensive in our stance and the release of the US CPI data this week will be the key focus for the markets ahead.

Global Fixed Income

- Risk markets pared down losses last week as participants went bargain-hunting after the recent sell-off. The week ended with a renewed decline as the labor market remained robust, warranting more monetary tightening from the US Federal Reserve.
- The 10-year Treasury ended the week five basis points (bps) higher at 3.88%, with the yield curve flattening as the term premium between the 2-year and 10-year rates tightened by two basis points.
- Credit markets gradually recovered over the week. Investment grade and emerging market credits ended the week with spreads lower by seven to nine bps. High yield outperformed with spread tightening of 27 bps.

With inflation staying elevated and hawkish policy from the Federal Reserve, we expect markets to remain volatile. Our portfolio continues to tactically trade treasuries, PH sovereign bonds, and PH credits. We currently maintain an underweight position for our portfolios.

ECONOMIC RELEASES

Date	Country	Data	Period
10/11/2022	Japan	BoP Current Account Balance	Aug
10/11/2022	Japan	Trade Balance BoP Basis	Aug
10/11/2022	Philippines	Exports YoY	Aug
10/11/2022	Philippines	Trade Balance	Aug
10/11/2022	US	Monthly Budget Statement	Sep
10/12/2022	Japan	Core Machine Orders MoM	Aug
10/12/2022	Japan	Machine Tool Orders YoY	Sep P
10/12/2022	Japan	Core Machine Orders YoY	Aug
10/12/2022	Malaysia	Industrial Production YoY	Aug
10/12/2022	South Korea	BoK 7-Day Repo Rate	14-Oct
10/12/2022	US	MBA Mortgage Applications	7-Oct
10/12/2022	US	PPI Final Demand MoM	Sep
10/12/2022	US	PPI Final Demand YoY	Sep
10/12/2022	US	PPI Ex Food and Energy MoM	Sep
10/12/2022	US	PPI Ex Food and Energy YoY	Sep
10/13/2022	Japan	PPI YoY	Sep
10/13/2022	US	Initial Jobless Claims	8-Oct
10/13/2022	US	CPI MoM	Sep
10/13/2022	US	CPI YoY	Sep
10/13/2022	US	CPI Ex Food and Energy MoM	Sep
10/13/2022	US	Continuing Claims	1-Oct
10/14/2022	China	CPI YoY	Sep
10/14/2022	China	PPI YoY	Sep
10/14/2022	China	Trade Balance	Sep
10/14/2022	China	Exports YoY	Sep
10/14/2022	China	Imports YoY	Sep
10/14/2022	Japan	Money Stock M2 YoY	Sep
10/14/2022	Japan	Money Stock M3 YoY	Sep
10/14/2022	Philippines	Overseas Cash Remittances YoY	Aug
10/14/2022	Philippines	Overseas Workers Cash Remittances	Aug
10/14/2022	South Korea	Unemployment rate SA	Sep
10/14/2022	US	U. of Mich. Sentiment	Oct P
10/14/2022	US	Retail Sales Advance MoM	Sep
10/14/2022	US	Import Price Index MoM	Sep
10/14/2022	US	Retail Sales Ex Auto MoM	Sep

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