

Weekly Market Snapshot

October 17, 2022

Index/ Bond	Index Level/Yield	WoW Change	WoW % Change
PSEi	5,904.75	-27.44	-0.46%
Dow Jones	29,634.83	338.04	1.15%
S&P500	3,583.07	-56.59	-1.55%
MSCI Asia ex-Japan	545.16	-23.73	-4.17%
MSCI Europe	131.56	-0.24	-0.18%
MSCI Emerging Market	863.33	-34.41	-3.83%
MSCI World Index	2,376.65	-41.07	-1.70%
S&P GSCI Commodity	3,571.61	-149.06	-4.01%
S&P Global REITs	542.83	-8.98	-1.63%
5Yr FXTN	6.52	17 bps	
10Yr US Treasury	4.02	14 bps	

Source: Bloomberg

Philippine Equities

- The Philippine Stock Exchange Index (PSEi) closed slightly down 46 basis points (bps) week-on-week (WoW) at 5,904.75. The benchmark started the week with declines in cadence with the US markets. This was then followed by flatish price action that came mid-week. While a move in the positive territory was seen in the later part, gains didn't sustain as selling pressure resurfaced in the end. Volumes were slightly better compared to last week but remained dry with it only being at Php4.3bn. The lowest participation for the year was also seen in one of the sessions as investors remain on the sideline.
- Foreigners were in a net sell position for the majority of the sessions with them only turning buyers of US\$8.7m at the tail end of the week. Highlight was the released US September CPI data which showed a slightly higher than expected print. Surprising initial reaction from investors brought the US markets into positive territory, though gains were quickly evaporated as it was met with a sell-off in the following session.
- The index gainers for the week were BDO Unibank, Inc. (BDO +6.76% WoW), Robinsons Land Corporation (RLC +5.00% WoW), and Puregold Price Club, Inc. (PGOLD +4.07% WoW). The laggards were Monde Nissin Corporation (MONDE -8.15% WoW), JG Summit Holdings (JGS -6.49% WoW), and PLDT, Inc. (TEL -5.30% WoW).

For the week ahead, we might see a range-bound move accompanied by muted volumes because of the absence of short-term catalysts.

Philippine Fixed Income

- The local bond market remained lethargic over the week, lacking catalysts to stimulate demand. Short to medium-term yields rose 20 basis points over the week as participants anticipate a more hawkish response from the BSP to address inflation.
- October 10 & 11 Auction Results for Treasury Bills/Bonds.

Tenor	91 Days	182 Days	364 Days	FXTN 7-68
High	4.250	4.650	6.125	7.100
Low	3.600	4.000	4.064	6.625
Average	3.819	4.415	5.401	6.943
Bid to Cover	1.516	1.128	--	1.545
	1.25B of 5B Awarded	2.69B of 5B Awarded	Rejected	24.12B of 35B Awarded

- Term Deposit (TD) Facility auction: 10/12/22
 - Php 170 billion 7-Day TD Facility averaged 4.6119%, 0.9080x undersubscribed.
 - Php 140 billion 14-Day TD Facility averaged 4.6492%, 0.9466x 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 were down 1.79% WoW. Headline CPI rose 0.4% in September from the previous month, above expectations of 0.2%. Year-over-year inflation rose 8.2%, down from 8.3% in August. Looking at core CPI, most major core items saw a robust rate of inflation. Core CPI rose 0.6% month on month (vs 0.6% in August), substantially higher than the consensus expectation of 0.4%. Despite the initial drawdown due to the inflation print, equities saw a shocking turnaround, with a trough-to-peak run-up in S&P 500 futures that reached 5.6% at its widest. To answer why the S&P rallied, a clutch of technical signals was on the bulls' side, among them the 50% retracement in the 22-month rally that broke out in the S&P 500 in March 2020. When the index undercut the 3,517 level, some market-watchers took that as a sign the nine-month selloff had gone too far. ly, we also saw some weakness on Friday, as long-term consumer inflation expectations overshot due to US gas prices staging a rebound.
- European equities were down 0.62% WoW in USD terms. European equities followed US and regional peers in the leg down, as the market digested the US inflation print. Investors also mulled the fallout from the UK government's policy reversal, as Liz Truss said she is scrapping her plans to freeze corporation tax next year and a tweet from The Times' Political Editor stated that UK Chancellor Kwasi Kwarteng is 'being sacked'.
- Asia-Pacific equities were down 3.43% WoW. Asian markets underperformed for various reasons. US restrictions on semiconductor exports to China, hammered the sector, with South Korea and Taiwan underperforming. China also had a weak showing for the week as bleak consumption data and lockdown fears gripped traders as markets reopened after a week-long break. Furthermore, markets have started to unwind optimism that Covid-Zero would come to an end, as various government mouthpieces pushed back on the notion.

In the past week, we have exited our positions in China A-Shares, as well as the Health Care Select Fund, to free up cash to allow for more opportunistic and alpha-generating deployments.

Global Fixed Income

- Risk markets continued declining over the week as US Inflation printed higher than expectations, increasing to 8.2% from 8.1%. The higher inflation print could invoke a harsher streak of tapering measures from the Fed in its battle against inflation.
- The 10-year Treasury ended the week 13 basis points (bps) higher at 4.02%, with the yield curve flattening as the term premium between the 2-year and 10-year rates tightened by five basis points.
- Credit markets traded lower over the week off higher rate hike prospects. Investment grade credits ended the week with spreads wider by three bps. High yield and emerging markets underperformed with a spread widening of 13 to 17 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 a tactically overweight position for our portfolios.

ECONOMIC RELEASES

Date	Country	Data	Period
10/17/2022	Japan	Industrial Production MoM	Aug F
10/17/2022	Japan	Tertiary Industry Index MoM	Aug
10/17/2022	Japan	Industrial Production YoY	Aug F
10/17/2022	Japan	Capacity Utilization MoM	Aug
10/17/2022	US	Empire Manufacturing	Oct
10/18/2022	China	GDP YoY	3Q
10/18/2022	China	Industrial Production YoY	Sep
10/18/2022	China	Retail Sales YoY	Sep
10/18/2022	China	Industrial Production YTD YoY	Sep
10/18/2022	China	GDP YTD YoY	3Q
10/18/2022	China	Fixed Assets Ex Rural YTD YoY	Sep
10/18/2022	Philippines	BoP Overall	Sep
10/18/2022	US	Industrial Production MoM	Sep
10/18/2022	US	Capacity Utilization	Sep
10/19/2022	Eurozone	CPI YoY	Sep F
10/19/2022	Eurozone	CPI MoM	Sep F
10/19/2022	Eurozone	CPI Core YoY	Sep F
10/19/2022	US	MBA Mortgage Applications	14-Oct
10/19/2022	US	Housing Starts	Sep
10/19/2022	US	Net Long-term TIC Flows	Aug
10/19/2022	US	Total Net TIC Flows	Aug
10/19/2022	US	Building Permits	Sep
10/20/2022	Japan	Trade Balance	Sep
10/20/2022	US	Initial Jobless Claims	15-Oct
10/20/2022	US	Existing Home Sales	Sep
10/20/2022	US	Leading Index	Sep
10/20/2022	US	Philadelphia Fed Business Outlook	Oct
10/20/2022	US	Continuing Claims	8-Oct
10/21/2022	Eurozone	Consumer Confidence	Oct P
10/21/2022	Japan	Natl CPI YoY	Sep
10/21/2022	Japan	Natl CPI Ex Fresh Food YoY	Sep
10/21/2022	Malaysia	CPI YoY	Sep
10/21/2022	Malaysia	Foreign Reserves	14-Oct
10/21/2022	South Korea	PPI YoY	Sep

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