

Weekly Market Snapshot

November 7, 2022

Index/ Bond	Index Level/Yield	WoW Change	WoW % Change
PSEi	6,185.53	32.10	0.52%
Dow Jones	32,403.22	-458.58	-1.40%
S&P500	3,770.55	-130.51	-3.35%
MSCI Asia ex-Japan	549.61	26.46	5.06%
MSCI Europe	140.09	2.10	1.52%
MSCI Emerging Market	884.98	39.40	4.66%
MSCI World Index	2,507.22	-53.82	-2.10%
S&P GSCI Commodity	3,772.68	169.47	4.70%
S&P Global REITs	581.23	-7.78	-1.32%
5Yr FXTN	6.81	8 bps	
10Yr US Treasury	4.16	15 bps	

Source: Bloomberg

Philippine Equities

- The Philippine Stock Exchange Index (PSEi) closed slightly up at 6185.53 on a shortened trading week. It managed to end with a week-on-week (WoW) up by 52 basis points (bps) move into positive territory. The sessions were met with several economic data such as the October Philippine consumer price index (CPI) print and the Federal Open Market Committee (FOMC) rate hike decision. PH October CPI spiked to a nearly 14-year peak of 7.7%, exceeding the consensus forecast of 7.1%. While on the other hand, the rate hike decision of the Federal Reserve (Fed) implemented a 75-bp rate hike. In addition, Fed Chairman Jay Powell also stated that it is still very premature to even talk about pausing at this moment since wage growth is still elevated. As a result of this, the Bangko Sentral ng Pilipinas (BSP) decided to match the Fed as it has already marked a rate hike of the same size on Nov 17.
- Volumes for the week were light only seeing a one-day spike of almost Php6b. Foreigners were net buyers for two of the sessions, one of which was a US\$10m position.
- The index gainers for the week were Universal Robina Corporation (URC +5.68% WoW), Manila Electric Company (MER +5.01% WoW), and International Container Terminal Services, Inc (ICT +3.37% WoW). The laggards were Ayala Land, Inc. (ALI -4.88% WoW), Semirara Mining and Power Corporation (SCC -3.12% WoW), and Ayala Corporation (AC -3.12% WoW).

For the week ahead, we might see volumes as the busiest week for 3Q PH earnings is about to unfold. Eyes are also on the release of US economic data such as the Initial Jobless Claims, Mortgage Applications, and the October CPI print. On the local side, 3Q PH gross domestic product (GDP) would be released this Nov 10.

Philippine Fixed Income

- Local bond yields increased by 5 to 25 basis points (bps) across the curve week-on-week as market participants stayed defensive in the face of persistent hawkish remarks from the US Federal Reserve (Fed) and the Bangko Sentral ng Pilipinas (BSP), along with the higher-than-expected headline inflation. Shorter-dated bonds bore most of the brunt of the recent sell-off as players anticipate jumbo rate hikes from monetary authorities in the coming months.
- Headline inflation reached a 14-year high of 7.70% in October, beating the market consensus of 7.10% and the previous month's print of 6.90%. High food, utilities, and transport prices continued to be the primary contributors to domestic inflation.
- For the primary auction results, the Bureau of the Treasury (BTr) rejected all bids for the treasury bills and the 3Y FXTN 3-28 last November 2. The new 3Y bond would have obtained an average rate of 6.763%.
- November 2, 2022 – BSP Term Deposit Facility (TDF) Auction

Tenor	7D	14D	28D
Average	4.9569	5.0567	-
Low	4.8	4.75	-
High	5.15	5.35	-
Bid to Cover	0.66	0.73	-
Volume	127,778.00	115,909.00	-

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 toward parts of the curve where we see the value but remain cognizant of market catalysts for rates direction in the short- to medium term.

Global Equities

- US equities are down 3.46% WoW as market sentiment was weighed down by a hawkish Fed and slower earnings growth. Following an expected 75-bp increase in the Fed funds rate, the FOMC pointed both to a slower pace of hikes from the December meeting onward and a higher terminal rate. On the earnings side, with most companies in the S&P 500 having reported, analysts expect that earnings grew 2.1% in the third quarter from a year earlier, down from projections for 9.7% growth at the end of June, causing valuations to contract, weighing on the market.
- European equities are up 1.36% WoW in USD terms. European stocks advanced to the highest level in over seven weeks as miners and luxury shares got a boost from speculation that China is relaxing its zero-COVID policy. Additionally, Europe is seen as having a better earnings season vs the U.S., as European equities have rallied about 9% since hitting a bottom at the end of September as the relatively solid earnings season fueled risk appetite. About 62% of Stoxx 600 companies that have reported results so far have beaten estimates, with third-quarter earnings-per-share growth of 25% from a year earlier, surprising analysts.
- Asia-Pacific equities are up 3.38% WoW on hopes that the Chinese government could ease its zero-COVID policy, with documents circulating on social media suggesting China was considering easing its strict coronavirus policies. Additionally, U.S. officials mentioned they were ahead of schedule in their inspections of the audit records of Chinese firms; giving the market hope that Chinese companies may avoid being delisted from U.S. stock exchanges.

We maintain our positions in the iShares U.S. Oil & Gas Exploration & Production ETF and Franklin Gold and Precious Metals Fund. We plan to stay opportunistic with our cash balance, with further potential deployments being level-dependent, as global headwinds continue to pressure risk assets.

Global Fixed Income

- Movements in the global bond market primarily reflected the messaging of Fed Chair Jerome Powell last week. The short end further cheapened by 20 to 25 bps which paved the way for a further inversion of the yield curve. Meanwhile, the 10Y treasury yields ended the week at 4.17%, up by 15 bps compared to the week ending October 28. The 2Y10Y spread enlarged to almost 50 bps, considered the widest for many decades. Moreover, credit spreads were mixed for the week, with US IG and HY wider by 3 to 23 bps, respectively, whereas emerging market credits outperformed by 14 bps.
- Global central banks continued their policy tightening. As widely expected by the market, the Fed delivered its fourth consecutive 75 bp hike, raising the Fed Funds rate to 3.75% - 4.0%. Powell further indicated that the policy rate might be higher than current projections, but the Fed will consider slowing the pace of its rate increases by the next Fed meeting, demonstrating a hawkish slowdown. The Bank of England likewise enacted a 75 bp rate hike and began reducing its bond holdings through the open market.

With inflation staying elevated and given the hawkish policy of 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
11/07/2022	China	Trade Balance	Oct
11/07/2022	China	Exports YoY	Oct
11/07/2022	China	Imports YoY	Oct
11/07/2022	China	Foreign Reserves	Oct
11/07/2022	China	Trade Balance	Oct
11/07/2022	China	Exports YoY	Oct
11/07/2022	China	Imports YoY	Oct
11/07/2022	China	Foreign Reserves	Oct
11/07/2022	Malaysia	Foreign Reserves	31-Oct
11/07/2022	Malaysia	Foreign Reserves	31-Oct
11/08/2022	Japan	Leading Index Cl	Sep P
11/08/2022	Malaysia	Industrial Production YoY	Sep
11/08/2022	South Korea	BoP Current Account Balance	Sep
11/09/2022	China	CPI YoY	Oct
11/09/2022	China	PPI YoY	Oct
11/09/2022	China	Money Supply M2 YoY	Oct
11/09/2022	China	New Yuan Loans CNY	Oct
11/09/2022	Japan	BoP Current Account Balance	Sep
11/09/2022	Japan	Trade Balance BoP Basis	Sep
11/09/2022	South Korea	Unemployment rate SA	Oct
11/09/2022	US	MBA Mortgage Applications	4-Nov
11/09/2022	US	Wholesale Inventories MoM	Sep F
11/10/2022	Japan	Money Stock M2 YoY	Oct
11/10/2022	Japan	Money Stock M3 YoY	Oct
11/10/2022	Japan	Machine Tool Orders YoY	Oct P
11/10/2022	Philippines	GDP YoY	3Q
11/10/2022	US	Initial Jobless Claims	5-Nov
11/10/2022	US	CPI MoM	Oct
11/10/2022	US	CPI YoY	Oct
11/10/2022	US	CPI Ex Food and Energy MoM	Oct
11/10/2022	US	Continuing Claims	29-Oct
11/11/2022	Japan	PPI YoY	Oct
11/11/2022	Malaysia	GDP YoY	3Q
11/11/2022	US	U. of Mich. Sentiment	Nov P
11/11/2022	US	Monthly Budget Statement	Oct

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