

Weekly Market Snapshot

November 14, 2022

Index/ Bond	Index Level/Yield	WoW Change	WoW % Change
PSEi	6,286.77	101.24	1.64%
Dow Jones	33,747.86	1,344.64	4.15%
S&P500	3,992.93	222.38	5.90%
MSCI Asia ex-Japan	591.62	42.01	7.64%
MSCI Europe	144.91	4.82	3.44%
MSCI Emerging Market	935.73	50.75	5.73%
MSCI World Index	2,674.08	166.86	6.66%
S&P GSCI Commodity	3,682.67	-90.01	-2.39%
S&P Global REITs	619.72	38.49	6.62%
5Yr FXTN	7.12	32 bps	
10Yr US Treasury	3.81	-35 bps	

Source: Bloomberg

Philippine Equities

- The Philippine Stock Exchange Index (PSEi) closed up 1.6% week-on-week (WoW) at 6,286.77. The benchmark started the week on a positive note as the prior release of earnings looked generally strong. This was then immediately followed by a pullback that lasted until the later part of the week. Declines ended on the last trading day though as the index saw a gap-up move in price action as investors celebrated a slower-than-expected US OCT consumer price index (CPI) print. The busiest week for 3Q earnings was seen with results being generally strong with consumer and property names still seeing demand despite inflationary pressures. Another highlight was the released 3Q PH gross domestic product (GDP) data which showed a better-than-expected 7.6% growth. The result showed a sizeable beat against the consensus estimates of 6.2%. While volumes for the week averaged Php4.5b with net foreign flow being supportive all days of the week.
- The index gainers for the week were Puregold Price Club (PGOLD +9.12% WoW), SM Prime Holdings (SMPH +8.36% WoW), and Ayala Corporation (AC +7.83% WoW). The laggards were Semirara Mining and Power Corporation (SCC -10.10% WoW), Metro Pacific Investments Corporation (MPI -7.36%), and PLDT, Inc. (TEL -5.20% WoW).

For the week ahead, we might see resistance at the 100 daily moving average as it remained stiff for investors to break. On the other hand, flows might also be seen on the MSCI real names such as MPI, GT Capital Holdings, Inc. (GTCPA), and Converge ICT Solutions, Inc (CNVRG) as they were demoted to small cap from the standard cap. Additionally, the Bangko Sentral ng Pilipinas (BSP) rate hike decision will also occur on Nov 17 with Governor Medalla already signaling that they will match the Fed's 75 basis points (bps) hike.

Global Equities

- US Equities are up 6.06% WoW (week on week) on optimism of the cooler-than-expected inflation print will lead to the Federal reserve pivoting.
- European Equities are up 3.44% WoW. Similar to U.S. equities, European equities also rallied on expectations that the Fed will lead to smaller rate hikes.
- Asian Equities are down 8.38% WoW as China's move to ease some Covid rules supercharged a rally sparked by softer US inflation.

While the CPI print of the US is a big positive, the market's response appears exaggerated and may not be enough to change views on inflation and the Fed in a tight labor market. The Eurozone, however, faces a grim winter just as double-digit inflation grips the region and war rages nearby and while E.U. officials in Brussels on Friday slashed their growth forecast next year predicting little expansion and raising consumer price projections.

Philippine Fixed Income

- Local bond yields climbed across the board by an average of 20 basis points (bps) week-on-week (WoW) as market players factor in the widely anticipated 75 basis point (bp) hike from the Bangko Sentral ng Pilipinas (BSP), upbeat third-quarter gross domestic product (GDP) print of 7.60%, and further policy tightening locally to match the actions of the US Federal Reserve (Fed). Despite the slowdown in US consumer prices, market participants maintained their defensive stance given the incoming bond supply and the Bureau of Treasury (BTr)'s ability to award at higher-than-expected levels.
- The country posted a GDP growth of 7.60% for the third quarter of 2022, beating consensus estimates of 6.20% and last quarter's print of 7.50%. Overall domestic output remained resilient on account of robust consumption and investment growth despite economic headwinds.

- November 7 and 8 - Auction Results for Treasury Bills/Bonds:

Tenor	91D	182D	364D	FXTN 20-14
Average	4.35	4.8	5	7.131
Low	4.35	4.7	5	6.8
High	4.35	4.85	5	7.5
Bid to Cover	1.87	1.49	0.94	1.19
Volume	2,100.00	2,500.00	2,100.00	30,640.00

- November 9, 2022 – BSP Term Deposit Facility (TDF) Auction:

Tenor	7D	14D	28D
Average	5.0668	5.2799	-
Low	4.899	4.95	-
High	5.35	5.625	-
Bid to Cover	0.85	0.96	-
Volume	202,857.00	134,133.00	-

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 Fixed Income

- US Treasury yields significantly rallied over the past week on the back of a decline in US headline and core inflation, bringing the 10-year benchmark down by almost 30 bps to 3.80% following the data release. For the week ending November 10, the 10-year yield richened by 35 bps to 3.82%. Market participants are likely pricing in a slowdown in the hiking pace of the Fed given signs of decelerating inflation. In line with the movement of US Treasury yields, credit spreads were tighter across the board by 7 to 37 bps.
- Global monetary authorities remain in favor of further policy tightening as inflation has yet to peak. Hawkish statements were made by the Bank of England Chief Economist Huw Pill and Head of the Bank of France and European Central Bank policymaker Francois Villeroy de Galhau. Peak rates in the UK, as forecasted by the market, have reached 4.50% - 4.75% (lower than the recent extreme of over 6%). In the eurozone, the bank deposit rate will likely rise from the current 1.50% to 3% next year.

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 underweight position for our portfolios.

ECONOMIC RELEASES

Date	Country	Data	Period
11/14/2022	Philippines	Overseas Cash Remittances YoY	Sep
11/14/2022	Philippines	Overseas Workers Cash Remittances	Sep
11/15/2022	Japan	Industrial Production MoM	Sep F
11/15/2022	Japan	GDP SA QoQ	3Q P
11/15/2022	Japan	GDP Annualized SA QoQ	3Q P
11/15/2022	Japan	GDP Deflator YoY	3Q P
11/15/2022	Japan	Industrial Production YoY	Sep F
11/15/2022	Japan	Capacity Utilization MoM	Sep
11/15/2022	US	PPI Final Demand MoM	Oct
11/15/2022	US	Empire Manufacturing	Nov
11/15/2022	US	PPI Final Demand YoY	Oct
11/15/2022	US	PPI Ex Food and Energy YoY	Oct
11/15/2022	US	PPI Ex Food and Energy MoM	Oct
11/16/2022	Japan	Core Machine Orders MoM	Sep
11/16/2022	Japan	Tertiary Industry Index MoM	Sep
11/16/2022	Japan	Core Machine Orders YoY	Sep
11/16/2022	US	Retail Sales Advance MoM	Oct
11/16/2022	US	MBA Mortgage Applications	11-Nov
11/16/2022	US	Industrial Production MoM	Oct
11/16/2022	US	Import Price Index MoM	Oct
11/16/2022	US	Retail Sales Ex Auto MoM	Oct
11/16/2022	US	Capacity Utilization	Oct
11/17/2022	Eurozone	CPI MoM	Oct F
11/17/2022	Eurozone	CPI Core YoY	Oct F
11/17/2022	Japan	Trade Balance	Oct
11/17/2022	Philippines	BSP Overnight Borrowing Rate	17-Nov
11/17/2022	US	Initial Jobless Claims	12-Nov
11/17/2022	US	Housing Starts	Oct
11/17/2022	US	Philadelphia Fed Business Outlook	Nov
11/17/2022	US	Net Long-term TIC Flows	Sep
11/17/2022	US	Continuing Claims	5-Nov
11/17/2022	US	Total Net TIC Flows	Sep
11/17/2022	US	Building Permits	Oct
11/18/2022	Japan	Natl CPI YoY	Oct
11/18/2022	Japan	Natl CPI Ex Fresh Food YoY	Oct
11/18/2022	Philippines	BoP Overall	Oct
11/18/2022	US	Existing Home Sales	Oct

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