



WEEKLY REVIEW (08/14/23 – 08/18/23)

The Week That Was

- Global markets continue to decline on persistent higher for longer interest rate environment and weak China economy.
 - Pressure on US inflation remain after strong July data releases. This supports higher for longer interest rate scenario to contain inflation.
 - Retail Sales rose to 0.7% vs 0.4% market estimate.
 - Initial Jobless claims printed at 239k vs. 240k consensus, showing labor resiliency.
 - Industrial Production printed at 1.0% vs. 0.3% market expectation.
 - China data dampened sentiment in Asian markets including PH equities.
 - CSI300 declined 4% last week as news that property giant, Country Garden may default on its debt.
 - July Retail sales was lower at 2.5% vs +4% market estimates.
 - July Industrial production printed lower at 3.7% vs +4.3% estimate.
- Local bond prices rose as demand increased from investors looking to redeploy sizeable P149B bond maturity.
- The local stock market declined while peso bucked the trend
 - BSP maintained its policy rates at 6.25%
 - PH inflation forecasts were raised to 5.6% (from 5.4% previously) for 2023 and to 3.3% (from 2.9%) for 2024, citing wage hikes, increasing prices of oil and rice, and impact of El Nino on production.

WoW Changes:

- S&P 500 declined by 2.11% to 4,369.71.
- The PSEi declined by 1.81% to 6,290.27.
- 10-Yr US Treasury yield closed higher at 4.25% from 4.15%.
- 10-Yr PHP benchmark yield closed lower at 6.55% from 6.56%
- PHP appreciated versus the USD at 56.18 from 56.315

What to Expect This Week

- Release of US Manufacturing and Services PMI prints. Market expects Manufacturing at 49 and Services at 52. A reading below 50 indicates contraction of economic activity.
- Annual Jackson Hole Symposium sponsored by the Fed will be held on August 24-26. The event dictates policy themes across the globe. The Fed Chairman's address provides advanced monetary guidance ahead of the September FOMC meeting.
- Expect soft bounce in the local equities as technical indicators point to oversold level.