



WEEKLY REVIEW
(10/16/23 – 10/20/23)

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What Happened Last Week

- Global assets prices dropped due to the ongoing Israel-Hamas war and data strengthening the case for higher interest rates. Indications for resilient consumer demand add to inflation pressures. The swelling US budget deficit point to higher cost of funds.
 - September Retail Sales grew 0.7% MoM, higher than 0.3% market estimates.
 - Jobless Claims came in at 198k, lower than 210k market estimates.
 - US government posted a \$1.695 trillion budget deficit for its fiscal year ending September 2023, a 23% jump from the prior year.

WoW changes:

- The 10-year US Treasury yield closed higher at 4.92% from 4.61%.
- The 10-year PHP benchmark yield closed higher at 6.62% from 6.56%.
- PHP depreciated slightly versus the USD at 56.84 from 56.81.
- S&P 500 declined by 2.39% to 4,224.16.
- The PSEi declined by 1.97% to 6,142.90.

What to Expect This Week

US GDP to be released on Oct 26 with market expectations at 4.3% QoQ. Stronger than expected GDP growth bolster the case for another rate hike.

- The surge in US interest rates could take a temporary breather as US treasuries enjoy safe haven* demand due to the Israel – Hamas War.
 - For local equity, the conflict may drive the PSEi to test the 6,000 support level.
 - Demand in US Treasuries means emerging bond markets will take a back seat. Local investors are demanding higher indicative levels at 6.80-7.05% for the 10-year bond auction on Tuesday than current level of 6.62%.

***Investment 101**

A safe-haven asset is a type of financial instrument likely (but not guaranteed) to retain or increase value during market turbulence. Investors seek out safe havens in order to limit their exposure to losses in the event of market downturns. US government bonds are seen as the being the world's safest in terms of likelihood of their interest and principal being paid on time.

Sources: www.investopedia.com and www.thebalancemoney.com