WEEKLY REVIEW (05/27/24 – 05/31/24)

What Happened Last Week

- US bond yields seesawed, retracing after a sharp rise as US Personal Consumption Expenditure Price Index (PCE) came within expectations. Meanwhile, US equities dropped after a downward revision of first quarter GDP.
    - April US PCE rose to 2.7% year-on-year (y/y) and 0.3% for the month.
    - 1Q24 GDP was revised downward from 1.6% y/y to 1.3% on lower consumption spending.

- Local bond and equity prices fell as the Philippine Peso depreciated against the USD. The stock correction was compounded by foreign selling due to MSCI rebalancing.

- Asset prices WoW
    - The 10-year US Treasury yield reached a high of 4.62% before settling at 4.50%, up by .03%.
    - The 10-year PHP benchmark yield was also up by .03% to 6.75%
    - PHP depreciated to Php58.51/USD from Php58.19/USD
    - S&P 500 declined by 0.51% to 5,277.51
    - The PSEi declined by 2.82% to 6,433.10

What to Expect This Week

- Key US employment data set for release this week.
    - Nonfarm payrolls are expected to improve in May at 190,000 from 175,000 in April.
    - May unemployment rate to stay steady at 3.9% while wage growth is expected to rise to 0.3% month-on-month (m/m) but remain unchanged y/y at 3.9%.

- Locally, May inflation is expected to rise 4% y/y, faster than 3.8% in April but still within BSP's forecasted range of 3.7%-4.5%.

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- PCE measures the price change of local goods and services purchased by consumers. It is the US Fed's preferred inflation gauge. April PCE treading within expectations steadies the hand of the Fed and lowers the possibility of a rate hike.

- Nonfarm payroll, unemployment rate and wage growth all relate to the state of the labor market. While having more jobs and higher wage growth is usually good for the economy, hot labor markets also stoke inflation and increase the probability of rate hikes.

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