WEEKLY REVIEW (06/10/24 – 06/14/24)

What Happened Last Week

- US bond and equity markets cheered as lower-than-expected inflation and weaker manufacturing data increased chances of a rate cut this year.
    - Consumer Price Index (CPI) for May rose to 3.3% year-on-year (y/y) vs. 3.4% estimate and remained unchanged from April.
    - May Producer's Price Index (PPI) decreased to 2.2% versus expectations of 2.5%.
    - The Fed maintained policy rates at 5.50% but adjusted its forecasts to one rate cut this year and three for 2025.

- Local bond and equity prices fell due to weaker peso and upward adjustments in inflation expectations, contradicting BSP's announcement of an earlier policy cut rate this year.

- Asset prices WoW
    - The 10-year US Treasury yields dropped 21 basis points to 4.22%.
    - The 10-year PHP benchmark yield was almost the same from 6.69% to 6.70%.
    - PHP depreciated from 58.52 to 58.65 versus the USD.
    - S&P 500 rose by 1.6% to 5,431.60.
    - The PSEi dropped by 2.7% to 6,383.70.

What to Expect This Week

- Key US inflation, housing, and production figures to be released this week.
    - Both expected retail sales and industrial production to rise by 0.3% m/m in May after staying flat in the previous month.
    - Housing Starts is anticipated to increase 0.7% m/m in May, slower than 5.7% m/m in April.
    - May Building permits are projected to grow 0.7% m/m, an improvement from -3.0% in April.

INVESTHesaurus

What do we hope to see from the data releases this week? Data that is in line with expectations. That means the economy is neither too hot nor too cold. Growth is stable but there is room for a rate cut.

Stronger data, on the one hand, means the economy is still too strong forcing the Fed to keep rates higher for longer. That is negative for bonds and stocks. On the other hand, weaker data could suggest that the US economy could be tipping into a slowdown. That is good for bonds but negative for stock.

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