



## WEEKLY REVIEW

(06/26/23 – 06/30/23)

### What Happened

- Global markets ended lower over concerns that central banks are set for more rate hikes amidst recession fears spurred by weak production manufacturing index (PMI) data.
  - The Bank of England raised its policy rate by 50bps to 5.0% against expectations of a 25bps hike.
  - In his speeches to the US Congress and Senate, Fed Chair Powell reiterated Fed's hawkish stance of higher rates in the future but to move policy at a gradual pace. He also said that he does not see rate cuts happening any time soon.
  - European PMI data weakened by more than expected. German composite PMIs fell to 50.8 in June from 53.9 in May while France composite PMI sunk to 47.3 from 51.2 in May. Meanwhile, US composite PMI also declined to 53.0 vs. 54.3 prior and 53.5 expected.
  - The 10-Yr US Treasury yield initially rose to a high of 3.79% on Fed speak but closed lower week-on-week after PMI release.
- Local equities continued the losing streak following the Department of Finance's proposal to add more taxes on junk food and sugar-sweetened beverages.
- Week on week:
  - The S&P 500 declined by 1.39% to close at 4,348.33.
  - The PSEi declined by 1.76% to close at 6,393.55.
  - The 10-Yr US Treasury yield closed lower at 3.73% from 3.76%.
  - The 10-Yr PHP benchmark yield closed higher at 6.18% from 6.08%.
  - The PHP closed weaker versus the USD at 55.77 from 55.74.

### What to Expect

- In the local bond market, yields are expected to stay elevated until the next CPI data release on 5 July on the lack of local catalysts post-BSP meeting. The BSP kept policy rates steady and indicated that it would like to see two consecutive months of inflation data at 4% before cutting rates.
- Investors will focus on key US macroeconomic updates that include new home sales, durable goods, consumer confidence, and personal consumption expenditures (PCE), to confirm markets' expectation of an economic slowdown.
- Caution may also be seen in global markets following geopolitical tensions from the failed mutiny in Russia.