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WEEKLY REVIEW

(05/08/23 – 05/12/23)

What Happened

- Global asset prices dropped towards the end of the week as US debt ceiling stalemate and recession fears offset initial optimism from softer US inflation data.
  - Headline CPI eased to 4.9% in April, better than market estimate of 5%.
  - Core CPI likewise eased to 5.5% (from 5.6% in March), in line with market estimate.

- The local bond market bucked the trend as demand for bonds continued across the curve as signals from the Fed and BSP remained dovish.

- Week on week:
  - The S&P 500 declined by 0.29% to 4,124.08.
  - The PSEi declined by 1.61% to 6,578.15.
  - The 10-Yr US Treasury rate dropped to a low of 3.38% before closing higher at 3.47% from 3.44% last week.
  - The 10-Yr PHP benchmark yield closed lower at 5.81% from 5.94%.
  - PHP closed weaker versus the USD at 55.79 from 55.30.

What to Expect

- Global markets will continue to tune into US retail sales, housing and jobless claims data to track the magnitude of economic slowdown.

- Local investors will take cues from the upcoming BSP Monetary Board meeting on May 18. The BSP has signaled a pause in policy moves but the market will watch out for any adjustment in inflation expectations. The PSEi will likely continue to experience downward pressure as funds rebalance to the MSCI PH down weight.

Investment 101

Why is the US debt ceiling important to global markets?

The U.S. federal debt ceiling is the maximum amount the government is authorized to borrow to meet its existing obligations, such as social security payments and interest on the national debt. Delays in the passage of the debt ceiling creates uncertainties on the direction of US interest rates and US dollar among others that can wreak market volatility. If Congress does not suspend or raise the limit, the risk of federal debt default becomes a reality.