



WEEKLY REVIEW

(05/15/23 – 05/19/23)

What Happened

- Stronger than expected US economic data and positive developments on US debt ceiling negotiations were positive for equities but negative for US Treasuries. Hawkish Fed speeches also sent US Treasury rates higher as bond traders lost confidence that the Federal Reserve is done with its tightening policy.
 - Initial jobless claims printed at 242k (below the forecasted 251k), and down 22k from the previous week.
 - Retail sales rose 0.4% MoM in April, in line with expectations, but March data was upwardly revised to -0.5% from -0.8%.
- Week on week:
 - The S&P 500 rose by 1.65% to 4,191.98.
 - The PSEi rose by 1.31% to 6,664.55.
 - The 10-Yr US Treasury rate closed higher at 3.68% from 3.47%.
 - PHP closed stronger versus the USD at 55.67 from 55.79.
- The local 10-Yr PHP benchmark yield declined to as low as 5.675% before retracing to 5.79% as bond traders interpreted BSP's move as a hawkish pause and took profit towards the end of the week. The BSP decided to keep key policy rates steady at 6.25%. BSP Gov. Medalla hinted that the BSP will pause hiking rates through Q3 2023 while keeping the door open for a rate increase on data and Fed policy direction.

What to Expect

- Bond yields may continue its uptrend this week. Investors will take cues from US GDP and consumption data releases along with debt ceiling discussions.
- Philippine equities will be under pressure on expected foreign outflows after deletion of select stocks in MSCI global indices.