



WEEKLY REVIEW

(05/02/23 – 05/05/23)

What Happened

- Global asset prices seesawed as the promise of a Fed pause going forward was contradicted by stronger-than-expected US employment numbers.
 - The Fed delivered a 25bps policy rate hike as expected, bringing the new policy range to 5.00-5.25% but signaled a pause following tighter credit conditions from distressed US banks.
 - April employment report showed a 253k gain in nonfarm payrolls (consensus: 185k), a tick down in the unemployment rate to 3.4% (consensus: 3.6%), and a 0.5% gain in average hourly earnings (consensus: 0.3%).
- In the local markets, investors took the latest PH inflation print as a sign that the BSP might pause its policy rate hikes. PH April inflation came out at 6.6%, lower than consensus estimates of 7.0% YoY.
- Week on week:
 - The 10-Yr US Treasury rate dropped to a low of 3.33% before closing higher at 3.44% from 3.42% last week.
 - The 10-Yr PHP benchmark yield dropped to 5.94% from 6.10%.
 - The S&P 500 declined as much as 2.0% before recovering to 4,136.25, a 0.8% decline from last week.
 - The PSEi rose by 0.91% to 6,685.66.
 - PHP closed stronger versus the USD at 55.30 from 55.38.

What to Expect

- Equities may succumb to profit taking ahead of the April US inflation release. Consensus is for inflation to print at 5% YoY, a surprise on the upside may trigger more sell-offs.
- Meanwhile, the momentum from the recent rally in local bond prices may see a pause on some profit-taking ahead of the BSP meeting on 18 May. The BSP is expected to pause after the Fed's decision and low inflation print but the local market will watch out for adjustments in inflation expectations from the threats of El Nino.