

WEEKLY REVIEW (02/05/24 – 02/09/24)

What Happened Last Week

- US Equities broke record highs as the S&P 500 surpassed the 5,000-level driven by strong macro data and corporate earnings. Meanwhile, US bond prices dropped as Fed officials downplayed expectations of rate cuts.
 - January ISM Services came in at 53.4, better than market estimates of 52.
 - Two-thirds of companies in S&P 500 already reported 4Q23 earnings. 80% of which have surprised to the upside, exceeding the 10-year average of 74%.
 - Fed officials reiterated that they are not in a rush to ease policy rates and highlighted patience around the timing of the first ease.
- Local equities were boosted by easing inflation and robust employment figures while PH bond yields rose due to increased supply from the announced Retail Treasury Bond (RTB) offering.
 - January inflation came in at 2.8%, softer than market estimates of 3.1%.
 - Unemployment rate sharply dropped to 3.1%, the lowest in 18 years.
 - The Bureau of Treasury announced a 5-year RTB to be auctioned off on February 13. The public offering will run until February 23, which may potentially raise more than PHP300 billion.
- Asset prices WoW changes:
 - S&P 500 rose by 1.37% to 5,026.61.
 - The PSEi rose by 2.13% to 6,850.16.
 - The 10-year US Treasury yield closed higher at 4.18% from 4.02%.
 - The 10-year PHP benchmark yield closed higher at 6.20% from 6.14%
 - PHP slightly appreciated versus the US\$ at 55.91 from 55.92.

What to Expect This Week

- Global investors will seek confirmation on the easing of inflation from this week's releases.
 - Market expects US January inflation to print 2.9% YoY, lower than previous month's 3.4%
 - Retail Sales is expected to print -0.1% MoM, lower than previous month's +0.6%
- Locally, equity investors will watch for updates on the awarding of NAIA rehabilitation project, with major listed conglomerates among the bidders.
- Local bond investors will await pricing of the 5-year RTB for guidance on yields. Initial indication is for coupon rate to settle between 6.125-6.375%.