

EQUITY

April turned out to be anything but quiet. After failing to break the 7000 multiple times, the PSEi succumbed to a violent correction. Over the course of 2 weeks, the index fell 9.4%, erasing all of its YTD gains.

This drop was triggered by a revision in the US Federal Reserve's inflation trajectory. Due to sticky inflation in the US, the Fed Reserve revised downward the number of interest rate cuts this year from 3 to just 1. This prompted a surge in the US dollar, which weighed on almost all currencies, including the Philippine peso. Combined with the PhP breaking below the 57/\$ level, sentiment soured and foreign outflows commenced. Lackluster projections from the property sector also took centerstage as a delay in interest rate cuts means mortgage rates would also stay elevated as well, dampening demand.

A surprise strike by Israel on an Iranian consulate in Syria also fanned the flames of war. Crude oil prices rose by 7% in just a week - a major risk to the Philippine economy. Fortunately, after another tit-for-tat, it seems hostilities have died down. With this, oil prices normalized as well.

Fortunately, even more value emerged after this swift plunge, so bargain hunters stepped in at the 6400 level. All told, the PSEi ended April down only 2.9%. Improvement in domestic inflation data and a hawkish BSP also helped out a floor on stock prices.



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**APRIL
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FIXED INCOME

The month of April was a reminder to the markets that inflation is still here to stay and may be here for a while longer. Data points in the US show that inflation, especially in jobs, is very sticky and that the Fed may have to rethink its path this year. There are some extreme views that a hike may even be necessary. From a range of 4.3, 10y USTs go as high as 4.7 with local bonds following suit.

In the Philippines, March CPI comes in at 3.7, lower than 3.8 expected though still trending higher as temperatures continue to rise and contribute to higher food prices, especially rice. BSP keeps rates unchanged at its meeting, with Gov. Remolona commenting that rate cuts could happen in 2025 if inflation risks remain. As 10y USTs climb higher, local bonds are sold off as well. After staying still for weeks after its issue at its coupon of 6.25, RTB518 sold all the way to 6.8 levels. Meanwhile, BTR shocks market by awarding 7yr auction at 7.18 high, signaling that they are willing to let rates go higher. USDPHP breaches 57 without much resistance as USD overall shows strength across all currencies except the EUR. USDPHP hits a high of 57.94 but finds support from BSP here. JPY falls to multi-decade lows to 160 before suspected intervention eventually halts the decline.

In the US, 10y UST reaches highs of 4.7 as jobs data blows past expectations. US CPI also hotter at 3.5 which has markets pushing back a rate cut to September instead of the already pushed back June.



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